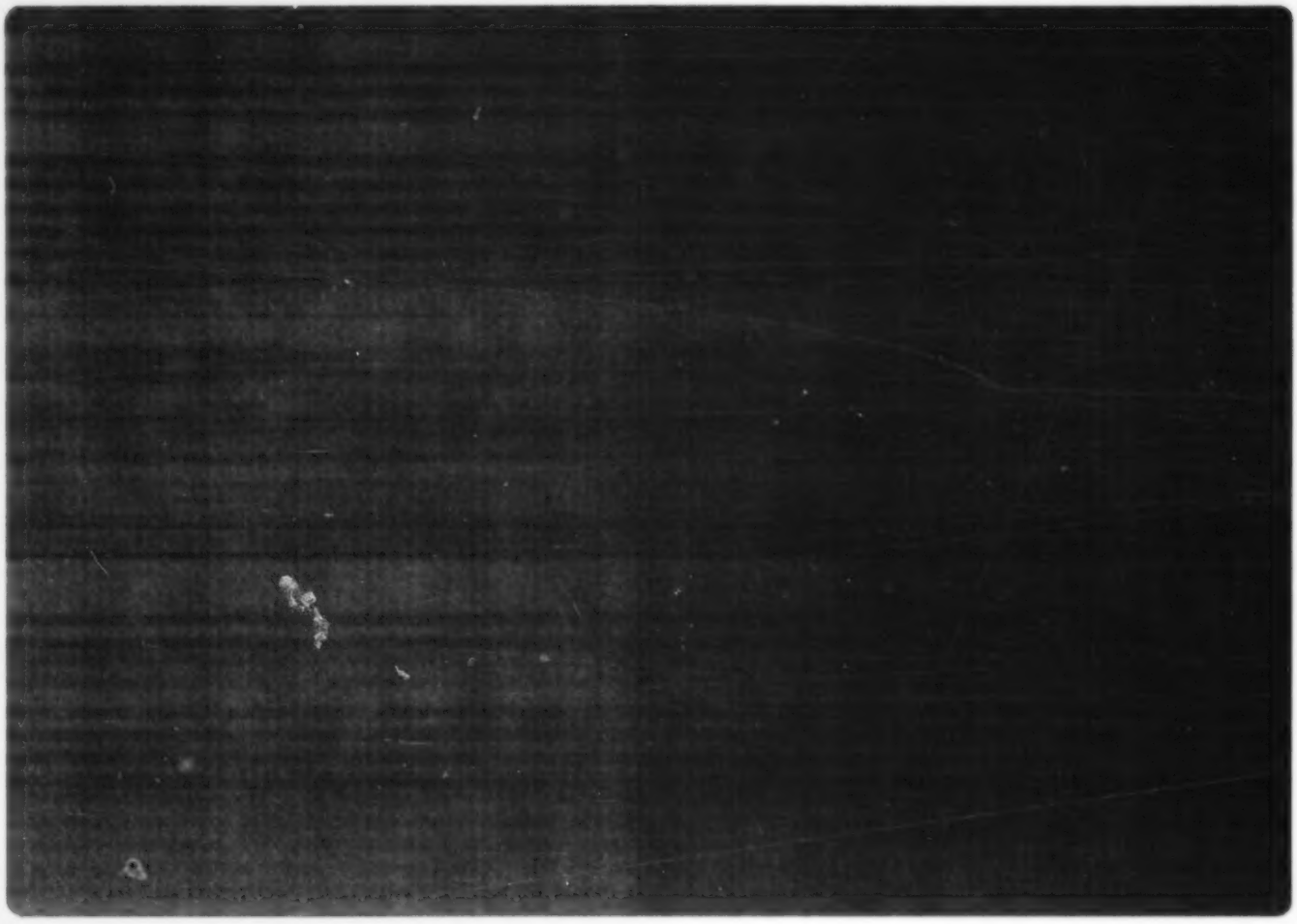
Second quarter report

FOR THE SIX MONTHS ENDED JUNE 30, 2009



SaskPower
Powering the future

STRATEGIC DIRECTION

Vision

People, innovation and partnerships . . . powering Saskatchewan to a bright future.

Mission

Safe, reliable and sustainable power for our customers.

Values

Responsive, respectful, progressive and accountable in everything we say, do and offer.

Priorities

1. Proud and productive employees.
2. Loyal and satisfied customers.
3. Dependable and secure infrastructure.
4. Strong environmental stewardship and performance.
5. Prudent financial management and growth.

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Indicators

	Three months ended June 30			Six months ended June 30		
(in millions)	[illegible]	2008	Change	[illegible]	2008	Change
Revenue	$ [illegible]	$ 357	$ (6)	$ [illegible]	$ 737	$ 6
Operating costs [1]	[illegible]	330	33	[illegible]	674	59
Operating (loss) income [1]	[illegible]	27	(39)	[illegible]	63	(53)
Net (loss) income	[illegible]	59	(61)	[illegible]	130	(131)
Dividends		8	(8)		24	(24)
Capital expenditures	[illegible]	124	39	[illegible]	186	83
Long-term debt	[illegible]	2,477	92	[illegible]	2,477	92
Operating return on equity [2]				[illegible]	8.1%	-6.7%
Return on equity [3]				[illegible]	16.6%	-16.7%
Per cent debt ratio [4]				[illegible]	58.4%	3.1%

1. Operating costs and operating (loss) income are non-GAAP measures, whose nearest GAAP measures are total expense and net (loss) income respectively. Operating costs and operating (loss) income provides management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the Non-GAAP Measures section on page 10 for further discussion of these items.

2. Operating return on equity = (operating (loss) income)/(average equity), where average equity = [(equity advances + retained earnings at period end) + (equity advances + retained earnings at previous year-end)/2].

3. Return on equity = (net (loss) income)/(average equity), where average equity = [(equity advances + retained earnings at year-end) + (equity advances + retained earnings at previous year-end)/2].

4. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + current portion of long-term debt – debt retirement funds – cash and cash equivalents).

Operating Statistics

	Three months ended June 30			Six months ended June 30		
(GWh)	[illegible]	2008	Change	[illegible]	2008	Change
Saskatchewan electricity sales	[illegible]	4,299	(207)	[illegible]	9,098	(180)
Exports	[illegible]	158	(100)	[illegible]	219	(130)
Total electricity sales	[illegible]	4,457	(307)	[illegible]	9,317	(310)
Gross electricity supplied	[illegible]	4,812	(272)	[illegible]	10,261	(354)
Line losses	[illegible]	(355)	(35)	[illegible]	(944)	44
Net electricity supplied	[illegible]	4,457	(307)	[illegible]	9,317	(310)
Electricity trading purchases	[illegible]	684	(289)	[illegible]	1,067	(269)
Line losses	[illegible]	(19)	(22)	[illegible]	(27)	(41)
Electricity trading sales	[illegible]	665	(311)	[illegible]	1,040	(310)
Generating capacity (net MW)	[illegible]	3,673	(32)	[illegible]	3,673	(32)
Peak load (net MW)	[illegible]	2,762	(85)	[illegible]	3,016	80
Customers	[illegible]	454,760	7,286	[illegible]	454,760	7,286

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Indicators

	Three months ended June 30			Six months ended June 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Revenue	**$ 351**	$ 357	$ (6)	**$ 743**	$ 737	$ 6
Operating costs [1]	**363**	330	33	**733**	674	59
Operating (loss) income [1]	**(12)**	27	(39)	**10**	63	(53)
Net (loss) income	**(2)**	59	(61)	**(1)**	130	(131)
Dividends	**-**	8	(8)	**-**	24	(24)
Capital expenditures	**163**	124	39	**269**	186	83
Long-term debt	**2,569**	2,477	92	**2,569**	2,477	92
Operating return on equity [2]				**1.4%**	8.1%	-6.7%
Return on equity [3]				**-0.1%**	16.6%	-16.7%
Per cent debt ratio [4]				**61.5%**	58.4%	3.1%

1 Operating costs and operating (loss) income are non-GAAP measures, whose nearest GAAP measures are total expense and net (loss) income respectively. Operating costs and operating (loss) income provides management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the Non-GAAP Measures section on page 10 for further discussion of these items.

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3 Return on equity = (net (loss) income)/(average equity), where average equity = [(equity advances + retained earnings at year-end) + (equity advances + retained earnings at previous year-end)/2]

4 Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + current portion of long-term debt – debt retirement funds – cash and cash equivalents)

Operating Statistics

	Three months ended June 30			Six months ended June 30		
(GWh)	**2009**	2008	Change	**2009**	2008	Change
Saskatchewan electricity sales	**4,092**	4,299	(207)	**8,918**	9,098	(180)
Exports	**58**	158	(100)	**89**	219	(130)
Total electricity sales	**4,150**	4,457	(307)	**9,007**	9,317	(310)
Gross electricity supplied	**4,540**	4,812	(272)	**9,907**	10,261	(354)
Line losses	**(390)**	(355)	(35)	**(900)**	(944)	44
Net electricity supplied	**4,150**	4,457	(307)	**9,007**	9,317	(310)
Electricity trading purchases	**395**	684	(289)	**798**	1,067	(269)
Line losses	**(41)**	(19)	(22)	**(68)**	(27)	(41)
Electricity trading sales	**354**	665	(311)	**730**	1,040	(310)
Generating capacity (net MW)	**3,641**	3,673	(32)	**3,641**	3,673	(32)
Peak load (net MW)	**2,677**	2,762	(85)	**3,096**	3,016	80
Customers	**462,046**	454,760	7,286	**462,046**	454,760	7,286

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower; the Corporation). It should be read in conjunction with the SaskPower unaudited interim consolidated financial statements and supporting notes for the six months ended June 30, 2009. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) section 1751, "Interim Financial Statements." The SaskPower Audit and Finance Committee of the Board of Directors has approved the interim financial statements.

The MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Financial Results

	Three months ended June 30			Six months ended June 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Revenue						
Saskatchewan electricity sales	**$ 328**	$ 327	$ 1	**$ 701**	$ 692	$ 9
Exports	**2**	12	(10)	**5**	16	(11)
Net sales from electricity trading	**4**	6	(2)	**6**	6	-
Other revenue	**17**	12	5	**31**	23	8
Total revenue	**351**	357	(6)	**743**	737	6
Operating costs						
Fuel and purchased power	**97**	131	(34)	**230**	269	(39)
Realized natural gas risk management activities	**20**	(7)	27	**33**	(5)	38
Operating, maintenance & administration	**137**	102	35	**256**	204	52
Depreciation, finance charges & taxes	**109**	104	5	**214**	206	8
Total operating costs [1]	**363**	330	33	**733**	674	59
Operating (loss) income [1]	**$ (12)**	$ 27	$ (39)	**$ 10**	$ 63	$ (53)
Unrealized natural gas risk management activities	**10**	32	(22)	**(11)**	67	(78)
Net (loss) income	**$ (2)**	$ 59	$ (61)	**$ (1)**	$ 130	$ (131)

[1] Operating costs and operating (loss) income are non-GAAP measures, whose nearest GAAP measures are total expense and net (loss) income respectively. Operating costs and operating (loss) income provides management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the Non-GAAP Measures section on page 10 for further discussion of these items.

Highlights

Second Quarter

Operating loss was $12 million in the second quarter of 2009 compared to operating income of $27 million during the same period of 2008. The decrease in operating income was the result of a $33 million increase in operating costs and a $6 million decrease in revenue.

Total operating costs increased $33 million compared to the same period in 2008 due to a $35 million increase in operating, maintenance and administration costs. This was the result of an increase in the defined benefit pension plan expense; spending on the integrated carbon capture sequestration (ICCS) project; rising maintenance costs; and higher salaries and wages. The ICCS costs were completely offset by Federal Government funding which was recorded in other revenue. Fuel and purchased power costs were down $34 million as a result of a decline in total generation and a reduction in natural gas prices. However, this decline was partially offset by a $27 million increase in the cost of SaskPower's realized natural gas risk management activities which are designed to mitigate the impact

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Financial Results

	Three months ended June 30			Six months ended June 30		
(in millions)	2009	2008	Change	2009	2008	Change
Revenue						
Saskatchewan electricity sales	$ 328	$ 327	$ 1	$ 701	$ 692	$ 9
Exports	2	12	(10)	5	16	(11)
Net sales from electricity trading	4	6	(2)	6	6	-
Other revenue	17	12	5	31	23	8
Total revenue	351	357	(6)	743	737	6
Operating costs						
Fuel and purchased power	97	131	(34)	230	269	(39)
Realized natural gas risk management activities	29	(7)	27	33	(5)	38
Operating, maintenance & administration	137	102	35	258	204	52
Depreciation, finance charges & taxes	109	104	5	214	206	8
Total operating costs [1]	363	330	33	733	674	59
Operating (loss) income [1]	$ (12)	$ 27	$ (39)	$ 10	$ 63	$ (53)
Unrealized natural gas risk management activities	10	32	(22)	(11)	67	(78)
Net (loss) income	$ (2)	$ 59	$ (61)	$ (1)	$ 130	$ (131)

[1] Operating costs and operating (loss) income are non-GAAP measures, whose nearest GAAP measures are total expense and net (loss) income respectively. Operating costs and operating (loss) income provides management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the Non-GAAP Measures section on page 10 for further discussion of these items.

Highlights

Second Quarter

Operating loss was $12 million in the second quarter of 2009 compared to operating income of $27 million during the same period of 2008. The decrease in operating income was the result of a $33 million increase in operating costs and a $6 million decrease in revenue.

Total operating costs increased $33 million compared to the same period in 2008 due to a $35 million increase in operating, maintenance and administration costs. This was the result of an increase in the defined benefit pension plan expense; spending on the integrated carbon capture sequestration (ICCS) project; rising maintenance costs; and higher salaries and wages. The ICCS costs were completely offset by Federal Government funding which was recorded in other revenue. Fuel and purchased power costs were down $34 million as a result of a decline in total generation and a reduction in natural gas prices. However, this decline was partially offset by a $27 million increase in the cost of SaskPower's realized natural gas risk management activities which are designed to mitigate the impact

of changes in the price of natural gas. Depreciation, finance charges and taxes increased a combined $5 million in the second quarter of 2009 compared to the same period in 2008.

The $6 million decline in revenue was largely attributable to a $10 million decrease in exports due to a 100 GWh reduction in volumes and a $37/Mwh decline in the average sales price. There were also decreases in net sales from electricity trading of $2 million over the same period in 2008. The decrease in these revenue sources was offset slightly by a $1 million and $5 million increase in Saskatchewan electricity sales and other revenue, respectively, compared to the same period in 2008. Saskatchewan electricity sales were higher due to an 8.5% system-wide rate increase that went into effect on June 1, 2009 and a change in the sales mix partially offset by a decrease in sales volumes. The increase in other revenue was due to the Federal Government funding for the ICCS project.

The Corporation reported $10 million of unrealized market value gains on its natural gas risk management activities in the second quarter of 2009 compared to a $32 million gain over the same period in 2008. The unrealized gains represent the change in the value of SaskPower's outstanding natural gas contracts. Net loss, including unrealized natural gas risk management activities, was $2 million in the second quarter of 2009 compared to a $59 million net income during the same period in 2008.

Year-to-Date

Operating income was $10 million in the first six months of 2009 compared to $63 million during the same period of 2008. The decrease in operating income was the result of a $59 million increase in operating costs partially offset by a $6 million increase in revenue.

Total operating costs increased $59 million compared to the same period in 2008 largely due to a $52 million increase in operating, maintenance and administration costs. This was the result of an increase in the defined benefit pension plan expense; spending on the ICCS project; rising maintenance costs; and higher salaries and wages. The ICCS costs were completely offset by Federal Government funding which was recorded in other revenue. Fuel and purchased power costs were down $39 million in the period as a result of a decline in natural gas prices. However, this decline was offset by SaskPower's realized natural gas risk management activities which are designed to mitigate the impact of changes in the price of natural gas. Depreciation, finance charges and taxes increased a combined $8 million in the first six months of 2009 compared to the same period in 2008.

The $6 million improvement in revenue was largely attributable to a $9 million increase in Saskatchewan electricity sales. This was due to an 8.5% system-wide rate increase effective June 1, 2009 and a favourable change in the sales mix with increased sales to residential and commercial customers partially offset by a decrease in sales volumes. There were also increases in other revenue of $8 million over the same period in 2008 due largely to the increased Federal Government funding for the ICCS project. The increase in these revenue sources was offset slightly by an $11 million decrease in export revenue.

The Corporation reported $11 million of unrealized market value losses on its natural gas risk management activities in the first six months of 2009 compared to a $67 million gain over the same period in 2008. The unrealized losses are the result of a decrease in the forward price of natural gas which reduces the market value of the outstanding hedges. Net loss, including unrealized natural gas risk management activities, was $1 million in the first six months of 2009 compared to a $130 million net income during the same period in 2008.

Outlook

SaskPower's latest forecast calls for operating income of $83 million, a $9 million decrease from 2008. The decline is due in part to an increase in operating expenses. The largest increase in expense is expected to be operating, maintenance and administration expense which will be up due to increases in pension expense, wages and salaries and maintenance activities.

These increases in operating expenses are expected to be partially offset by an increase in Saskatchewan sales due to an 8.5% system-wide rate increase that came into effect on June 1, 2009. Earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

SaskPower also expects to continue to make substantial investments in its infrastructure, totaling over $8 billion over the next 10 years. Capital expenditures in 2009 are forecast to be approximately $885 million. This includes costs for the installation of simple cycle natural gas turbines at Queen Elizabeth Power Station (105 MW); Ermine (94 MW) and Yellowhead (141 MW). It also includes costs to upgrade various transformers and transmission lines and connect new customers to SaskPower's grid.

Revenue

Saskatchewan electricity sales

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Saskatchewan electricity sales	**$ 328**	$ 327	$ 1	**$ 701**	$ 692	$ 9

Saskatchewan electricity sales represent the sale of electricity to all customer classes within the Province. These sales are driven by general economic conditions, number of customers and weather.

Revenue from Saskatchewan sales for the second quarter of 2009, were $328 million, up $1 million from the second quarter of 2008. Saskatchewan sales for the six months ending June 30, 2009 were $701 million, up $9 million from the first six months of 2008. The rise in Saskatchewan sales was primarily due to an 8.5% system-wide rate increase effective June 1, 2009. There was also a favourable change in the sales mix with increased sales to residential and commercial customers. This was offset by a decrease in electric sales volumes to Saskatchewan customers which were down 180 GWh from the same period in 2008.

Exports

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Exports	**$ 2**	$ 12	$ (10)	**$ 5**	$ 16	$ (11)

Exports include the sale of SaskPower's surplus generation to other regions in Canada and the United States. Export pricing is not subject to the rate review process and is priced by the external market. Export sales volumes are dependent on surplus SaskPower generation, market conditions in other jurisdictions and transmission availability.

Exports decreased from $12 million in the second quarter of 2008 to $2 million in the second quarter of 2009. In the first half of 2009, exports were $5 million, down $11 million from 2008. This decrease in revenue was primarily due to lower sales volumes as a result of reduced demand in the export markets. Export sales volumes decreased 130 GWh during the first six months of 2009, compared to the first six months of 2008. The decrease in export revenue is also attributable to a decrease in the average export sales price which was approximately $59/MWh in the first six months of 2009. This compares to a price of approximately $75/MWh in the same period of 2008.

Net sales from electricity trading

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Electricity trading revenue	**$ 16**	$ 41	$ (25)	**$ 44**	$ 69	$ (25)
Electricity trading costs	**(12)**	(37)	25	**(37)**	(63)	26
Electricity trading market value gains (losses)	**-**	2	(2)	**(1)**	-	(1)
Net sales from electricity trading	**$ 4**	$ 6	$ (2)	**$ 6**	$ 6	$ -

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions Inc., include the purchase and resale of electricity and other electricity-related commodities and derivatives from regions outside of Saskatchewan.

Electricity trading revenues were $16 million in the second quarter of 2009 compared to $41 million in the second quarter of 2008 and $44 million in the first half of 2009 compared to $69 million in the first half of 2008. Despite the decrease in electricity trading revenues in the first six months of 2009, the gross margin, or net sales after deducting related electricity trading costs, was $6 million in the first six months of 2009, unchanged from the first six months of 2008.

Other revenue

	Three months ended June 30			Six months ended June 30		
(in millions)	2009	2008	Change	2009	2008	Change
Other revenue	$ 17	$ 12	$ 5	$ 31	$ 23	$ 8

Other revenue includes various non-electricity products and services. Other revenue was $17 million in the second quarter of 2009, up $5 million from the same period in 2008 and increased from $23 million in the first half of 2008 to $31 million in the first six months of 2009. This increase was primarily due to additional revenues received from rising gas and electrical inspection revenue, meter reading revenue, and additional grant revenue received from the Federal Government as funding for the ICCS project. These increases in revenue are partially offset by a decrease in equity investment income from the MRM Cogeneration Station.

Operating Costs

Fuel and purchased power

	Three months ended June 30			Six months ended June 30		
(in millions)	2009	2008	Change	2009	2008	Change
Fuel and purchased power	$ 97	$ 131	$ (34)	$ 230	$ 269	$ (39)

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, electricity purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve the Corporation's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have the lowest incremental cost per unit of generation. Hydro generation is dependent upon water levels at the Corporation's hydro facilities while coal generation is a product of the availability of the Corporation's coal plants. Wind generation – which represents SaskPower's lowest incremental cost of electricity – cannot be dispatched on a planned basis, as it is dependent upon wind conditions.

Total fuel and purchased power costs of $97 million in the second quarter of 2009 and $230 million in the first half of 2009 were down $34 million and $39 million, respectively, from the same periods in 2008. The decrease in fuel and purchased power was mainly due to a decrease in the average fuel price largely as a result of lower natural gas prices.

In addition to the favourable price variance, total generation was 9,907 GWh in the first six months of 2009, a decrease of 354 GWh compared to the same period in 2008.

Realized natural gas risk management activities

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Realized natural gas risk management activities	$ 20	$ (7)	$ 27	$ 33	$ (5)	$ 38

Natural gas risk management activities represent the cash impact derived from the Corporation's natural gas hedging program. SaskPower's current natural gas hedging program seeks to hedge up to 50% of SaskPower's exposure to natural gas. This strategy is intended to mitigate our company's exposure to market prices and stabilize the fuel and purchased power budget. SaskPower's long-term natural gas risk management strategy addresses the security of natural gas supply, obtaining suitable market access to liquid markets and managing natural gas price risk.

In the first six months of 2009, approximately 8 million notional gigajoules (GJs) of hedges related to SaskPower's natural gas consumption settled resulting in $33 million in realized expense for the Corporation. The expense was due to falling natural gas prices that pushed the market price of natural gas below the Corporation's hedged rate. As a result, SaskPower made payment on these hedges for the difference between the market price of natural gas and the hedged rate.

Operating, maintenance and administration (OM&A)

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
OM&A	$ 137	$ 102	$ 35	$ 256	$ 204	$ 52

OM&A expense was up $35 million in the second quarter of 2009 compared to the second quarter of 2008 and $52 million higher in the first half of 2009 over the same period in 2008. The year-to-date increase was due in part to an increase in the defined benefit pension plan expense as a result of significant losses on the Plan's assets in 2008. In addition, spending on the ICCS project increased in 2009 relative to the same period in 2008. However, these expenditures are completely offset by funding from the Federal Government which is recorded in other revenue. The Corporation also incurred increases in contractor costs and salaries and wages as a result of increased maintenance expense, general economic increases and additional staff.

Depreciation

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Depreciation	$ 59	$ 57	$ 2	$ 116	$ 112	$ 4

Depreciation expense was $59 million in the second quarter of 2009, up $2 million from the same period in 2008. In the first half of 2009, depreciation expense was $116 million compared to $112 million in the first six months of 2008. The rise in depreciation expense was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures.

Finance charges

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Finance charges	$ 39	$ 40	$ (1)	$ 78	$ 78	$ -

Finance charges were $39 million in the second quarter of 2009 compared to $40 million in the same period of 2008. In the first six months of 2009, finance charges were $78 million, unchanged from the first six months of 2008. Finance charges remained unchanged despite having a higher debt balance due to the utilization of lower cost floating rate debt.

Taxes

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Taxes	$ 11	$ 7	$ 4	$ 20	$ 16	$ 4

Corporate capital tax, grants-in-lieu of taxes and other taxes were $11 million in the second quarter, up $4 million from 2008 and $20 million in the first six months of 2009, an increase of $4 million from the first six months of 2008. The increase was due to a $1 million recovery of non-resident withholding tax in 2008 and an increase in corporate capital tax in 2009.

Unrealized natural gas risk management activities

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Natural gas hedges market value gains (losses)	$ 10	$ 32	(22)	$ (12)	$ 68	(80)
Natural gas hedges transitional market value gains (losses) reclassified to net income	-	-	-	1	(1)	2
Unrealized natural gas risk management activities	$ 10	$ 32	$ (22)	$ (11)	$ 67	$ (78)

The unrealized natural gas risk management activities represent the change in the market value of the Corporation's outstanding natural gas hedges during the period. As of June 30, 2009, SaskPower had outstanding hedges of approximately 31 million notional GJs to fix the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the period of 2009 - 2012. The unrealized market value loss on these outstanding hedges was $12 million for the first six months of 2009. The losses are the result of the forward price of natural gas being lower than the average hedged price. These unrealized losses are subject to significant volatility based on movements in the forward price of natural gas.

Realized natural gas risk management activities

	Three months ended June 30			Six months ended June 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Realized natural gas risk management activities	**$ 20**	$ (7)	$ 27	**$ 33**	$ (5)	$ 38

Natural gas risk management activities represent the cash impact derived from the Corporation's natural gas hedging program. SaskPower's current natural gas hedging program seeks to hedge up to 50% of SaskPower's exposure to natural gas. This strategy is intended to mitigate our company's exposure to market prices and stabilize the fuel and purchased power budget. SaskPower's long-term natural gas risk management strategy addresses the security of natural gas supply, obtaining suitable market access to liquid markets and managing natural gas price risk.

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	Three months ended June 30			Six months ended June 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
OM&A	**$ 137**	$ 102	$ 35	**$ 256**	$ 204	$ 52

OM&A expense was up $35 million in the second quarter of 2009 compared to the second quarter of 2008 and $52 million higher in the first half of 2009 over the same period in 2008. The year-to-date increase was due in part to an increase in the defined benefit pension plan expense as a result of significant losses on the Plan's assets in 2008. In addition, spending on the ICCS project increased in 2009 relative to the same period in 2008. However, these expenditures are completely offset by funding from the Federal Government which is recorded in other revenue. The Corporation also incurred increases in contractor costs and salaries and wages as a result of increased maintenance expense, general economic increases and additional staff.

Depreciation

	Three months ended June 30			Six months ended June 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Depreciation	**$ 59**	$ 57	$ 2	**$ 116**	$ 112	$ 4

Depreciation expense was $59 million in the second quarter of 2009, up $2 million from the same period in 2008. In the first half of 2009, depreciation expense was $116 million compared to $112 million in the first six months of 2008. The rise in depreciation expense was primarily attributable to an increase in property, plant and equipment as a result of ongoing capital expenditures.

Finance charges

	Three months ended June 30			Six months ended June 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Finance charges	**$ 39**	$ 40	$ (1)	**$ 78**	$ 78	$ -

Finance charges were $39 million in the second quarter of 2009 compared to $40 million in the same period of 2008. In the first six months of 2009, finance charges were $78 million, unchanged from the first six months of 2008. Finance charges remained unchanged despite having a higher debt balance due to the utilization of lower cost floating rate debt.

Taxes

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Taxes	**$ 11**	$ 7	$ 4	**$ 20**	$ 16	$ 4

Corporate capital tax, grants-in-lieu of taxes and other taxes were $11 million in the second quarter, up $4 million from 2008 and $20 million in the first six months of 2009, an increase of $4 million from the first six months of 2008. The increase was due to a $1 million recovery of non-resident withholding tax in 2008 and an increase in corporate capital tax in 2009.

Unrealized natural gas risk management activities

(in millions)	Three months ended June 30 2009	2008	Change	Six months ended June 30 2009	2008	Change
Natural gas hedges market value gains (losses)	**$ 10**	$ 32	(22)	**$ (12)**	$ 68	(80)
Natural gas hedges transitional market value gains (losses) reclassified to net income	**-**	-	-	**1**	(1)	2
Unrealized natural gas risk management activities	**$ 10**	$ 32	$ (22)	**$ (11)**	$ 67	$ (78)

The unrealized natural gas risk management activities represent the change in the market value of the Corporation's outstanding natural gas hedges during the period. As of June 30, 2009, SaskPower had outstanding hedges of approximately 31 million notional GJs to fix the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the period of 2009 - 2012. The unrealized market value loss on these outstanding hedges was $12 million for the first six months of 2009. The losses are the result of the forward price of natural gas being lower than the average hedged price. These unrealized losses are subject to significant volatility based on movements in the forward price of natural gas.

Financial Condition

The following chart outlines changes in the consolidated balance sheet from December 31, 2008 to June 30, 2009:

(in millions)	Increase / (decrease)	Explanation of change
Cash and cash equivalents	$ (1)	Refer to Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	(9)	Improved collection of current receivables.
Inventory	7	Increase in supplies for capital projects.
Risk management assets	-	
Property, plant and equipment (net)	141	Capital additions offset by depreciation expense and asset retirements.
Debt retirement funds	19	Installments and earnings net of market value adjustments.
Other assets	(19)	Lower defined benefit pension asset and prepaid expenses relating to long-term coal supply agreements.
Total change in assets	$ 138	

Accounts payable and accrued liabilities	$ 35	Increase in new generation projects.
Accrued interest	-	
Risk management liabilities	13	Decline in the forward price of natural gas.
Short-term advance	95	Increase in use of short-term borrowings.
Dividends payable	(8)	No dividends payable in 2009.
Long-term debt (including current portion)	(2)	Debt repayments.
Other liabilities	3	Increase in asset retirement obligation and defined benefit plan.
Equity	(1)	2009 net loss.
Total change in liabilities and equity	$ 135	

Liquidity and Capital Resources

The Corporation's cash position was $5 million as at June 30, 2009, down $1 million from December 31, 2008. The decrease in the cash position was the result of $179 million provided by operating activities and $73 million provided by financing activities, partially offset by $253 million used in investing activities.

a) Operating activities

	Three months ended June 30			Six months ended June 30		
(in millions)	2009	2008	Change	2009	2008	Change
Net income net of non-cash items	$ 54	$ 82	$ (28)	$ 130	$ 170	$ (31)
Net change in non-cash working capital	52	35	17	49	15	25
Cash provided by operating activities	$ 106	$ 117	$ (11)	$ 179	$ 185	$ (6)

Despite a $131 million decrease in net income, operating cash flow was only down $6 million in the first six months of 2009 compared to the same period in 2008. This was due largely to non-cash items including an $80 million change in unrealized market value losses on financial instruments as well as a $13 million increase in the defined benefit pension plan expense.

Net income net of non-cash items was down $31 million from 2008 largely as a result of increased operating and maintenance expenses. However, this increase was largely offset by a $25 million improvement in the Corporation's working capital.

b) Investing activities

	Three months ended June 30			Six months ended June 30		
(in millions)	2009	2008	Change	2009	2008	Change
Generation	$ 106	$ 74	$ 32	$ 177	$ 101	$ 76
Transmission & Distribution	46	42	4	74	73	1
Other	11	8	3	18	12	6
Total capital expenditures	$ 163	$ 124	$ 39	$ 269	$ 186	$ 83
Customer contributions and net costs of removal	(4)	(7)	3	(13)	(11)	(2)
Equity investment distributions	(3)	(2)	(1)	(3)	(3)	-
Cash used in investing activities	$ 156	$ 115	$ 41	$ 253	$ 172	$ 81

SaskPower invested $253 million in the first six months of 2009 on various capital projects. This includes $36 million to connect customers to the SaskPower electric system; $57 million spent on the Ermine simple cycle gas turbine project; and $76 million spent on gas turbines at the Queen Elizabeth Power Station.

Total customer contributions, net of costs of removal, were $13 million in the first six months of 2009, up $2 million from the same period in 2008. Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset. The cost of removal represents the cash paid or received upon normal disposal of an asset.

In the first six months of 2009, equity distributions received from the MRM Cogeneration Station were $3 million; unchanged from the first six months of 2008.

Financial Condition

The following chart outlines changes in the consolidated balance sheet from December 31, 2008 to June 30, 2009:

(in millions)	Increase / (decrease)	Explanation of change
Cash and cash equivalents	$ (1)	Refer to Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	(9)	Improved collection of current receivables.
Inventory	7	Increase in supplies for capital projects.
Risk management assets	-	
Property, plant and equipment (net)	141	Capital additions offset by depreciation expense and asset retirements.
Debt retirement funds	16	Installments and earnings net of market value adjustments.
Other assets	(19)	Lower defined benefit pension asset and prepaid expenses relating to long-term coal supply agreements.
Total change in assets	**$ 135**	
Accounts payable and accrued liabilities	$ 35	Increase in new generation projects.
Accrued interest	-	
Risk management liabilities	13	Decline in the forward price of natural gas.
Short-term advance	95	Increase in use of short-term borrowings.
Dividends payable	(8)	No dividends payable in 2009.
Long-term debt (including current portion)	(2)	Debt repayments.
Other liabilities	3	Increase in asset retirement obligation and defined benefit plan.
Equity	(1)	2009 net loss.
Total change in liabilities and equity	**$ 135**	

Liquidity and Capital Resources

The Corporation's cash position was $5 million as at June 30, 2009, down $1 million from December 31, 2008. The decrease in the cash position was the result of $179 million provided by operating activities and $73 million provided by financing activities, partially offset by $253 million used in investing activities.

a) Operating activities

	Three months ended June 30			Six months ended June 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Net income net of non-cash items	**$ 54**	$ 82	$ (28)	**$ 139**	$ 170	$ (31)
Net change in non-cash working capital	**52**	35	17	**40**	15	25
Cash provided by operating activities	**$ 106**	$ 117	$ (11)	**$ 179**	$ 185	$ (6)

Despite a $131 million decrease in net income, operating cash flow was only down $6 million in the first six months of 2009 compared to the same period in 2008. This was due largely to non-cash items including an $80 million change in unrealized market value losses on financial instruments as well as a $13 million increase in the defined benefit pension plan expense.

Net income net of non-cash items was down $31 million from 2008 largely as a result of increased operating and maintenance expenses. However, this increase was largely offset by a $25 million improvement in the Corporation's working capital.

b) Investing activities

	Three months ended June 30			Six months ended June 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Generation	**$ 106**	$ 74	$ 32	**$ 177**	$ 101	$ 76
Transmission & Distribution	**46**	42	4	**74**	73	1
Other	**11**	8	3	**18**	12	6
Total capital expenditures	**$ 163**	$ 124	$ 39	**$ 269**	$ 186	$ 83
Customer contributions and net costs of removal	**(4)**	(7)	3	**(13)**	(11)	(2)
Equity investment distributions	**(3)**	(2)	(1)	**(3)**	(3)	-
Cash used in investing activities	**$ 156**	$ 115	$ 41	**$ 253**	$ 172	$ 81

SaskPower invested $253 million in the first six months of 2009 on various capital projects. This includes $36 million to connect customers to the SaskPower electric system; $57 million spent on the Ermine simple cycle gas turbine project; and $76 million spent on gas turbines at the Queen Elizabeth Power Station.

Total customer contributions, net of costs of removal, were $13 million in the first six months of 2009, up $2 million from the same period in 2008. Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset. The cost of removal represents the cash paid or received upon normal disposal of an asset.

In the first six months of 2009, equity distributions received from the MRM Cogeneration Station were $3 million; unchanged from the first six months of 2008.

c) **Financing activities**

	Three months ended June 30			Six months ended June 30		
(in millions)	2009	2008	Change	2009	2008	Change
Net proceeds from new borrowings	54	30	24	93	(74)	167
Net debt retirement fund (installments) redemptions	(6)	(2)	(4)	(12)	48	(60)
Dividends paid	-	(16)	16	(8)	(47)	39
Cash provided by (used in) financing activities	$ 48	$ 12	$ 36	$ 73	$ (73)	$ 146

In the first six months of 2009, $73 million of cash was provided by financing activities, compared to $73 million of cash used in financing activities in the first six months of 2008. The $73 million in cash proceeds was made up of $93 million in net new borrowings offset by $12 million in debt retirement fund installments and $8 million in dividend payments.

Debt/short-term advances

(in millions)

As at	June 30 2009	December 31 2008	Change
Gross long-term debt	$ 2,576	$ 2,578	$ (2)
Less: current portion of long-term debt	(7)	(7)	-
Total long-term debt	2,569	2,571	(2)
Short-term advance	$ 95	$ -	$ 95
Per cent debt ratio*	61.5%	60.7%	(0.8%)

* Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term debt+ short-term advances + current portion of long-term debt – cash and cash equivalents – debt retirement funds) and where equity = (equity advances + retained earnings).

SaskPower's gross long-term debt position was $2,576 million at June 30, 2009, down $2 million from December 31, 2008. The decrease in gross debt was the result of the repayment of $2 million of non-recourse debt. The Corporation also added $95 million of short-term financing during the first six months of 2009.

The Corporation's per cent debt ratio has risen slightly from 60.7% at the end of 2008 to 61.5% as at June 30, 2009.

Debt retirement funds installments/redemptions

(in millions)	June 30 2009	June 30 2008	Change
Debt retirement fund installments	$ (12)	$ (11)	$ (1)
Debt retirement fund redemptions	-	59	(59)
	$ (12)	$ 48	$ (60)

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Province of Saskatchewan.

The Corporation made $12 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Province of Saskatchewan.

SaskPower also earned $4 million, net of market value adjustments (classified as non-cash operating activities), on the debt retirement funds for the period.

Dividends

SaskPower traditionally pays dividends to CIC based on the CIC Dividend Policy. Dividends are paid quarterly, with a one-quarter lag to allow for the financial statements to be audited before the annual dividend is finalized. CIC has determined that SaskPower will not be required to pay dividends in 2009 due to the extensive capital requirements of the Corporation.

In the first six months of 2009, SaskPower paid $8 million in dividends to CIC. This represents the dividend payable for the fourth quarter of 2008.

Future Accounting Changes - International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) is currently deliberating the definition of publicly accountable enterprises as it applies to government entities including SaskPower and its subsidiaries. The PSAB issued an exposure draft in July 2009, *Financial Reporting by Certain Government Organizations (Amendment to Introduction)*, which if accepted, would require SaskPower to adopt IFRS. CIC believes that IFRS is the most appropriate basis of accounting for all of its subsidiaries and therefore SaskPower and its subsidiaries are proceeding with the adoption of IFRS.

SaskPower has commenced its IFRS conversion project and developed a high level IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS. At this time, the impact on SaskPower's future financial position and result of operations is not reasonably determinable or estimated. However, based on the analysis to date, the most significant areas of difference are related to the accounting for property, plant and equipment; power purchase agreements; asset retirement obligations; joint ventures; employee future benefits; and financial statement disclosure.

SaskPower has plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Non-GAAP Measures

The Corporation evaluates its performance using a variety of measures. Operating costs and operating (loss) income are non-GAAP measures which are not defined under GAAP. These measures should not be considered in isolation or as an alternative to or more meaningful than, total expense or net income and long-term debt as determined in accordance with GAAP as an indicator of SaskPower's financial performance. These measures are not necessarily comparable to a similarly titled measure of another company.

c) Financing activities

(in millions)	Three months ended June 30 **2009**	2008	Change	Six months ended June 30 **2009**	2008	Change
Net proceeds from new borrowings	**54**	30	24	**93**	(74)	167
Net debt retirement fund (installments) redemptions	**(6)**	(2)	(4)	**(12)**	48	(60)
Dividends paid	**-**	(16)	16	**(8)**	(47)	39
Cash provided by (used in) financing activities	**$ 48**	$ 12	$ 36	**$ 73**	$ (73)	$ 146

In the first six months of 2009, $73 million of cash was provided by financing activities, compared to $73 million of cash used in financing activities in the first six months of 2008. The $73 million in cash proceeds was made up of $93 million in net new borrowings offset by $12 million in debt retirement fund installments and $8 million in dividend payments.

Debt/short-term advances

(in millions)

As at	**June 30 2009**	December 31 2008	Change
Gross long-term debt	**$ 2,576**	$ 2,578	$ (2)
Less: current portion of long-term debt	**(7)**	(7)	-
Total long-term debt	**2,569**	2,571	(2)
Short-term advance	**$ 95**	$ -	$ 95
Per cent debt ratio[1]	**61.5%**	60.7%	(0.8%)

[1] Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term debt+ short-term advances + current portion of long-term debt – cash and cash equivalents – debt retirement funds) and where equity = (equity advances + retained earnings)

SaskPower's gross long-term debt position was $2,576 million at June 30, 2009, down $2 million from December 31, 2008. The decrease in gross debt was the result of the repayment of $2 million of non-recourse debt. The Corporation also added $95 million of short-term financing during the first six months of 2009.

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Debt retirement fund installments	**$ (12)**	$ (11)	$ (1)
Debt retirement fund redemptions	**-**	59	(59)
	$ (12)	$ 48	$ (60)

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SaskPower has plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Non-GAAP Measures

The Corporation evaluates its performance using a variety of measures. Operating costs and operating (loss) income are non-GAAP measures which are not defined under GAAP. These measures should not be considered in isolation or as an alternative to or more meaningful than, total expense or net income and long-term debt as determined in accordance with GAAP as an indicator of SaskPower's financial performance. These measures are not necessarily comparable to a similarly titled measure of another company.

Consolidated Statement of Income and Retained Earnings

(in millions)	(Unaudited) Three months ended June 30 2009	2008	(Unaudited) Six months ended June 30 2009	2008
Revenue				
Saskatchewan electricity sales	$ 328	$ 327	$ 701	$ 692
Exports	2	12	5	16
Net sales from electricity trading (Note 4)	4	6	8	6
Other revenue	17	12	31	23
Total revenue	351	357	743	737
Expense				
Fuel and purchased power	97	131	230	269
Natural gas risk management activities:				
Realized	28	(7)	33	(5)
Unrealized	(10)	(32)	11	(67)
Operating, maintenance and administration	137	102	256	204
Depreciation	59	57	116	112
Finance charges (Note 5)	39	40	78	78
Taxes	11	7	20	16
Total expense	353	298	744	607
Net (loss) income	(2)	59	(1)	130
Retained earnings, beginning of period	871	908	870	853
Dividends	-	(8)	-	(24)
Retained earnings, end of period	$ 869	$ 959	$ 869	$ 959

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

As at	[illegible] June 30 2009	(Audited *) December 31 2008
Assets		
Current assets		
Cash and cash equivalents	$ [illegible]	$ 6
Accounts receivable and unbilled revenue	171	180
Inventory	154	147
Risk management assets (Note 8)	2	2
	332	335
Property, plant and equipment		
Property, plant and equipment	6,972	6,930
Less: accumulated depreciation	3,293	3,215
	3,679	3,715
Construction in progress	365	186
	4,043	3,901
Debt retirement funds	228	212
Other assets	53	72
Total assets	$ 4,655	$ 4,520
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 283	$ 168
Accrued interest	48	48
Risk management liabilities (Note 8)	52	39
Short-term advance (Note 6)	95	-
Current portion of long-term debt	7	7
Dividends payable	-	8
	485	270
Long-term debt (Note 7)	2,589	2,571
Other liabilities	153	150
Total liabilities	3,127	2,991
Equity		
Retained earnings	869	870
Accumulated other comprehensive loss	(1)	(1)
	868	869
Equity advances	660	660
Total equity	1,528	1,529
Total liabilities and equity	$ 4,655	$ 4,520

Commitments and contingencies (Note 10)

See accompanying notes

** As presented in the audited December 31, 2008 consolidated statement of financial position*

Consolidated Statement of Income and Retained Earnings

(in millions)	(Unaudited) Three months ended June 30 2009	2008	(Unaudited) Six months ended June 30 2009	2008
Revenue				
Saskatchewan electricity sales	**$ 328**	$ 327	**$ 701**	$ 692
Exports	**2**	12	**5**	16
Net sales from electricity trading (Note 4)	**4**	6	**6**	6
Other revenue	**17**	12	**31**	23
Total revenue	**351**	357	**743**	737
Expense				
Fuel and purchased power	**97**	131	**230**	269
Natural gas risk management activities:				
Realized	**20**	(7)	**33**	(5)
Unrealized	**(10)**	(32)	**11**	(67)
Operating, maintenance and administration	**137**	102	**256**	204
Depreciation	**59**	57	**116**	112
Finance charges (Note 5)	**39**	40	**78**	78
Taxes	**11**	7	**20**	16
Total expense	**353**	298	**744**	607
Net (loss) income	**(2)**	59	**(1)**	130
Retained earnings, beginning of period	**871**	908	**870**	853
Dividends	**-**	(8)	**-**	(24)
Retained earnings, end of period	**$ 869**	$ 959	**$ 869**	$ 959

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

As at	(Unaudited) June 30 2009	(Audited *) December 31 2008
Assets		
Current assets		
Cash and cash equivalents	$ 5	$ 6
Accounts receivable and unbilled revenue	171	180
Inventory	154	147
Risk management assets (Note 8)	2	2
	332	335
Property, plant and equipment		
Property, plant and equipment	6,972	6,930
Less: accumulated depreciation	3,293	3,215
	3,679	3,715
Construction in progress	363	186
	4,042	3,901
Debt retirement funds	228	212
Other assets	53	72
Total assets	$ 4,655	$ 4,520
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 203	$ 168
Accrued interest	48	48
Risk management liabilities (Note 8)	52	39
Short-term advance (Note 6)	95	-
Current portion of long-term debt	7	7
Dividends payable	-	8
	405	270
Long-term debt (Note 7)	2,589	2,571
Other liabilities	153	150
Total liabilities	3,127	2,991
Equity		
Retained earnings	869	870
Accumulated other comprehensive loss	(1)	(1)
	868	869
Equity advances	660	660
Total equity	1,528	1,529
Total liabilities and equity	$ 4,655	$ 4,520

Commitments and contingencies (Note 10)

See accompanying notes

** As presented in the audited December 31, 2008 consolidated statement of financial position*

Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended June 30 2009	2008	(Unaudited) Six months ended June 30 2009	2008
Net (loss) income	$ (2)	$ 59	$ (1)	$ 130
Other comprehensive income (loss):				
Net gains on natural gas hedges in prior periods reclassified to net income in the current period	1	-	-	(1)
Other comprehensive income (loss)	1	-	-	(1)
Total comprehensive (loss) income	$ (1)	$ 59	$ (1)	$ 129

Consolidated Statement of Accumulated Other Comprehensive (Loss) Income

(in millions)	(Unaudited) Three months ended June 30 2009	2008	(Unaudited) Six months ended June 30 2009	2008
Accumulated other comprehensive (loss) income, beginning of period	$ (2)	$ 1	$ (1)	$ 2
Other comprehensive income (loss)	1	-	-	(1)
Accumulated other comprehensive (loss) income, end of period	$ (1)	$ 1	$ (1)	$ 1

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended June 30 2009	2008	(Unaudited) Six months ended June 30 2009	2008
Operating activities				
Net (loss) income	$ (2)	$ 59	$ (7)	$ 130
Add (deduct) items not involving cash:				
Depreciation	56	57	111	112
Natural gas hedges market value (gains) losses	(18)	(32)	12	(68)
Natural gas hedges transitional market value (losses) gains reclassified to net income	-	-	(1)	1
Electricity trading market value (gains) losses	-	(2)	1	-
Debt retirement fund earnings	(2)	(3)	(5)	(7)
Debt retirement fund market value losses	-	4	4	2
Defined benefit pension plan expense	3	2	10	5
Equity investment income	(1)	(3)	(3)	(5)
Other	1	-	1	-
	54	82	139	170
Net change in non-cash working capital	52	35	40	15
Cash provided by operating activities	106	117	179	185
Investing activities				
Property, plant and equipment	(160)	(122)	(264)	(183)
Interest capitalized	(3)	(2)	(5)	(3)
Customer contributions and net costs of removal	4	7	13	11
Equity investment distributions	3	2	3	3
Cash used in investing activities	(156)	(115)	(253)	(172)
(Decrease) increase in cash before financing activities	(50)	2	(74)	13
Financing activities				
Proceeds from long-term debt	-	253	-	253
Repayment of long-term debt	-	(58)	-	(326)
Net proceeds from short-term advance	55	(165)	85	-
Repayment of non-recourse debt	(1)	-	(2)	(1)
Debt retirement fund installments	(6)	(2)	(12)	(11)
Debt retirement fund redemptions	-	-	-	59
Dividends paid	-	(16)	(9)	(47)
Cash provided by (used in) financing activities	48	12	73	(73)
(Decrease) increase in cash	(2)	14	(1)	(60)
Cash and cash equivalents, beginning of period	7	10	6	84
Cash and cash equivalents, end of period	$ 5	$ 24	$ 5	$ 24

Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended June 30 2009	2008	(Unaudited) Six months ended June 30 2009	2008
Net (loss) income	**$ (2)**	$ 59	**$ (1)**	$ 130
Other comprehensive income (loss):				
Net gains on natural gas hedges in prior periods reclassified to net income in the current period	**1**	-	**-**	(1)
Other comprehensive income (loss)	**1**	-	**-**	(1)
Total comprehensive (loss) income	**$ (1)**	$ 59	**$ (1)**	$ 129

Consolidated Statement of Accumulated Other Comprehensive (Loss) Income

(in millions)	(Unaudited) Three months ended June 30 2009	2008	(Unaudited) Six months ended June 30 2009	2008
Accumulated other comprehensive (loss) income, beginning of period	**$ (2)**	$ 1	**$ (1)**	$ 2
Other comprehensive income (loss)	**1**	-	**-**	(1)
Accumulated other comprehensive (loss) income, end of period	**$ (1)**	$ 1	**$ (1)**	$ 1

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended June 30 2009	2008	(Unaudited) Six months ended June 30 2009	2008
Operating activities				
Net (loss) income	**$ (2)**	$ 59	**$ (1)**	$ 130
Add (deduct) items not involving cash:				
Depreciation	**59**	57	**116**	112
Natural gas hedges market value (gains) losses	**(10)**	(32)	**12**	(68)
Natural gas hedges transitional market value (losses) gains reclassified to net income	**-**	-	**(1)**	1
Electricity trading market value (gains) losses	**-**	(2)	**1**	-
Debt retirement fund earnings	**(2)**	(3)	**(5)**	(7)
Debt retirement fund market value losses	**-**	4	**1**	2
Defined benefit pension plan expense	**9**	2	**18**	5
Equity investment income	**(1)**	(3)	**(3)**	(5)
Other	**1**	-	**1**	-
	54	82	**139**	170
Net change in non-cash working capital	**52**	35	**40**	15
Cash provided by operating activities	**106**	117	**179**	185
Investing activities				
Property, plant and equipment	**(160)**	(122)	**(264)**	(183)
Interest capitalized	**(3)**	(2)	**(5)**	(3)
Customer contributions and net costs of removal	**4**	7	**13**	11
Equity investment distributions	**3**	2	**3**	3
Cash used in investing activities	**(156)**	(115)	**(253)**	(172)
(Decrease) increase in cash before financing activities	**(50)**	2	**(74)**	13
Financing activities				
Proceeds from long-term debt	**-**	253	**-**	253
Repayment of long-term debt	**-**	(58)	**-**	(326)
Net proceeds from short-term advance	**55**	(165)	**95**	-
Repayment of non-recourse debt	**(1)**	-	**(2)**	(1)
Debt retirement fund installments	**(6)**	(2)	**(12)**	(11)
Debt retirement fund redemptions	**-**	-	**-**	59
Dividends paid	**-**	(16)	**(8)**	(47)
Cash provided by (used in) financing activities	**48**	12	**73**	(73)
(Decrease) increase in cash	**(2)**	14	**(1)**	(60)
Cash and cash equivalents, beginning of period	**7**	10	**6**	84
Cash and cash equivalents, end of period	**$ 5**	$ 24	**$ 5**	$ 24

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2009

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of The Power Corporation Act.

By virtue of The Crown Corporations Act, 1993, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations' tax.

2. Summary of Significant Accounting Policies

These unaudited interim consolidated financial statements (interim financial statements) do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal, with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates include electricity sales not yet billed; carrying amounts of property, plant and equipment; underlying estimates of useful lives and related depreciation; carrying amounts of asset retirement obligations and underlying estimates of future cash flows; the fair value of financial instruments; and carrying amounts of deferred pension costs and underlying actuarial assumptions. Actual results could differ from those estimates, which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements.

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2009

3. Dividend Policy

SaskPower traditionally pays dividends to CIC based on the CIC dividend policy. In 2009, CIC has determined that SaskPower will not be required to pay any dividends due to the extensive capital requirements of the Corporation.

4. Net Sales from Electricity Trading (in millions)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Electricity trading revenue	$ 16	$ 41	$ 44	$ 69
Electricity trading costs	(12)	(37)	(37)	(63)
Electricity trading market value gains (losses)	-	2	(1)	-
	$ 4	$ 6	$ 6	$ 6

5. Finance Charges (in millions)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Interest on long-term debt	$ 43	$ 42	$ 86	$ 87
Interest capitalized	(3)	(2)	(5)	(3)
Debt retirement fund earnings	(2)	(2)	(5)	(6)
Debt retirement fund market value losses	-	3	1	2
Interest income	-	(1)	-	(2)
Other interest and charges	1	-	1	-
	$ 39	$ 40	$ 78	$ 78

6. Short-term Advance (in millions)

Date of Issue	Date of Maturity	Interest Rate (%)	Currency	Outstanding Amount
June 30, 2009	July 7, 2009	0.2500	Canadian Dollar	$ 95

The short-term advance is due to the Province of Saskatchewan's General Revenue Fund.

7. Long-term Debt (in millions)

In the first six months of 2009, the Corporation repaid $2 of non-recourse debt.

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2009

3. Dividend Policy

SaskPower traditionally pays dividends to CIC based on the CIC dividend policy. In 2009, CIC has determined that SaskPower will not be required to pay any dividends due to the extensive capital requirements of the Corporation.

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	2009	2008	**2009**	2008
Electricity trading revenue	**$ 16**	$ 41	**$ 44**	$ 69
Electricity trading costs	**(12)**	(37)	**(37)**	(63)
Electricity trading market value gains (losses)	**-**	2	**(1)**	-
	$ 4	$ 6	**$ 6**	$ 6

5. Finance Charges (in millions)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Interest on long-term debt	**$ 43**	$ 42	**$ 86**	$ 87
Interest capitalized	**(3)**	(2)	**(5)**	(3)
Debt retirement fund earnings	**(2)**	(2)	**(5)**	(6)
Debt retirement fund market value losses	**-**	3	**1**	2
Interest income	**-**	(1)	**-**	(2)
Other interest and charges	**1**	-	**1**	-
	$ 39	$ 40	**$ 78**	$ 78

6. Short-term Advance (in millions)

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June 30, 2009	July 7, 2009	0.2500	Canadian Dollar	$ 95

The short-term advance is due to the Province of Saskatchewan's General Revenue Fund.

7. Long-term Debt (in millions)

In the first six months of 2009, the Corporation repaid $2 of non-recourse debt.

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2009

8. Financial Instruments (in millions)

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

		June 30, 2009		December 31, 2008	
		Asset (liability)		Asset (liability)	
Financial instruments	Classification[4]	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	HFT[1]	$ 5	$ 5	$ 6	$ 6
Accounts receivable and unbilled revenue	L&R[2]	171	171	180	180
Debt retirement funds	HFT[1]	228	228	212	212
Other assets - investment	HFT[1]	2	2	2	2
Financial liabilities					
Accounts payable and accrued liabilities	OL[3]	$ (203)	$ (203)	$ (168)	$ (168)
Accrued interest	OL[3]	(48)	(48)	(48)	(48)
Short-term advance	OL[3]	(95)	(95)	-	-
Dividends payable	OL[3]	-	-	(8)	(8)
Recourse debt	OL[3]	(2,496)	(2,969)	(2,496)	(2,992)
Non-recourse debt	OL[3]	(80)	(90)	(82)	(89)

1. HFT – held-for-trading.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as at June 30, 2009 as either held-to-maturity or available-for-sale.

Fair values are determined as follows:

(a) Debt retirement funds are valued at the closing period-end unit prices received from the Saskatchewan Ministry of Finance;
(b) Investment is valued using an internal valuation model, based on management's assumptions;
(c) Long-term debt instruments are valued at period-end market prices for the underlying debt issues or, when unavailable, for similar instruments; and
(d) Other financial instruments – including cash and cash equivalents; accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest; short-term advance and dividends payable – approximate fair value due to the short period to maturity.

Derivative financial instruments
The following summarizes the market value gains and losses on the Corporation's risk management activities:

	Classification	June 30, 2009 Asset	June 30, 2009 Liability	December 31, 2008 Asset	December 31, 2008 Liability	Six months ended June 30, 2009 market gains (losses)
Natural gas contracts						
Two-way collars	HFT[1]	$ -	$ (3)	$ 1	$ (3)	$ (1)
Fixed price swap instruments	HFT[1]	1	(47)	1	(36)	(11)
Electricity trading contracts						
Contracts for differences	HFT[1]	-	(1)	-	-	(1)
Forward agreements	HFT[1]	1	(1)	-	-	-
		$ 2	$ (52)	$ 2	$ (39)	$ (13)

1. HFT – held-for-trading.

Fair values are determined as follows:
(a) Natural gas derivative option instruments (i.e. collars) are valued based on estimates provided by the financial counterparties;
(b) Natural gas swap instruments are valued using an internal pricing model that uses market data, including average forward monthly natural gas prices obtained from financial counterparties; and
(c) Electricity trading derivatives, including contracts for differences and forward agreements are valued at period-end market prices.

9. Financial Risk Management (in millions)

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates, and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board. The only risks that are substantially different from those reported in the 2008 Annual Report are the following:

Market risk

Natural gas contracts
The Corporation is exposed to natural gas price risk through gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at June 30, 2009, the Corporation had entered into physical and financial natural gas contracts to hedge approximately 46% of its forecasted natural gas purchases for 2009, 42% for 2010, 33% for 2011 and 19% for 2012.

Based on the Corporation's June 30, 2009 closing positions on its natural gas hedges, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $29 improvement in the unrealized market value gains/losses recognized in net income for the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at June 30, 2009.

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2009

10. Commitments and Contingencies (in millions)

(a) A legal action was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Power Corporation Superannuation Plan (PCSP; the defined benefit pension plan). The claim alleges the Corporation has inappropriately ceased making contributions to the PCSP; incorrectly offered employees early retirement with unreduced pensions; and did not provide sufficient information to allow employees to make an informed decision regarding the choice to either stay within the PCSP or move into the Public Employees Pension Plan.

Since 1996, various legal proceedings have taken place to properly define the claim. A pre-trial conference took place on dates in the second and fourth quarters of 2008 and the matter was set down for trial commencing September 14, 2009.

On a without prejudice basis, the parties have agreed to a conditional settlement of the legal action. If all of the conditions to the settlement are satisfied, SaskPower will pay into the PCSP, as employer funding contributions, a sum equal to the amount of the actuarial deficit of the PCSP as of December 31, 2008 (by way of three equal annual installments), plus the Plaintiff's legal expenses. As of that date, the actuarial deficit was $81.25 million.

Given the uncertainty regarding satisfaction of all the outstanding conditions, the impact of the potential settlement has not been accrued in SaskPower's financial statements for the period ending June 30, 2009. If all of the outstanding conditions are met, SaskPower expects its employer contributions will be recorded as an increase to other assets – defined benefit pension asset.

(b) SaskPower has various other legal matters pending, which in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

11. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current period financial statement presentation.

SYSTEM MAP

As at December 31, 2008

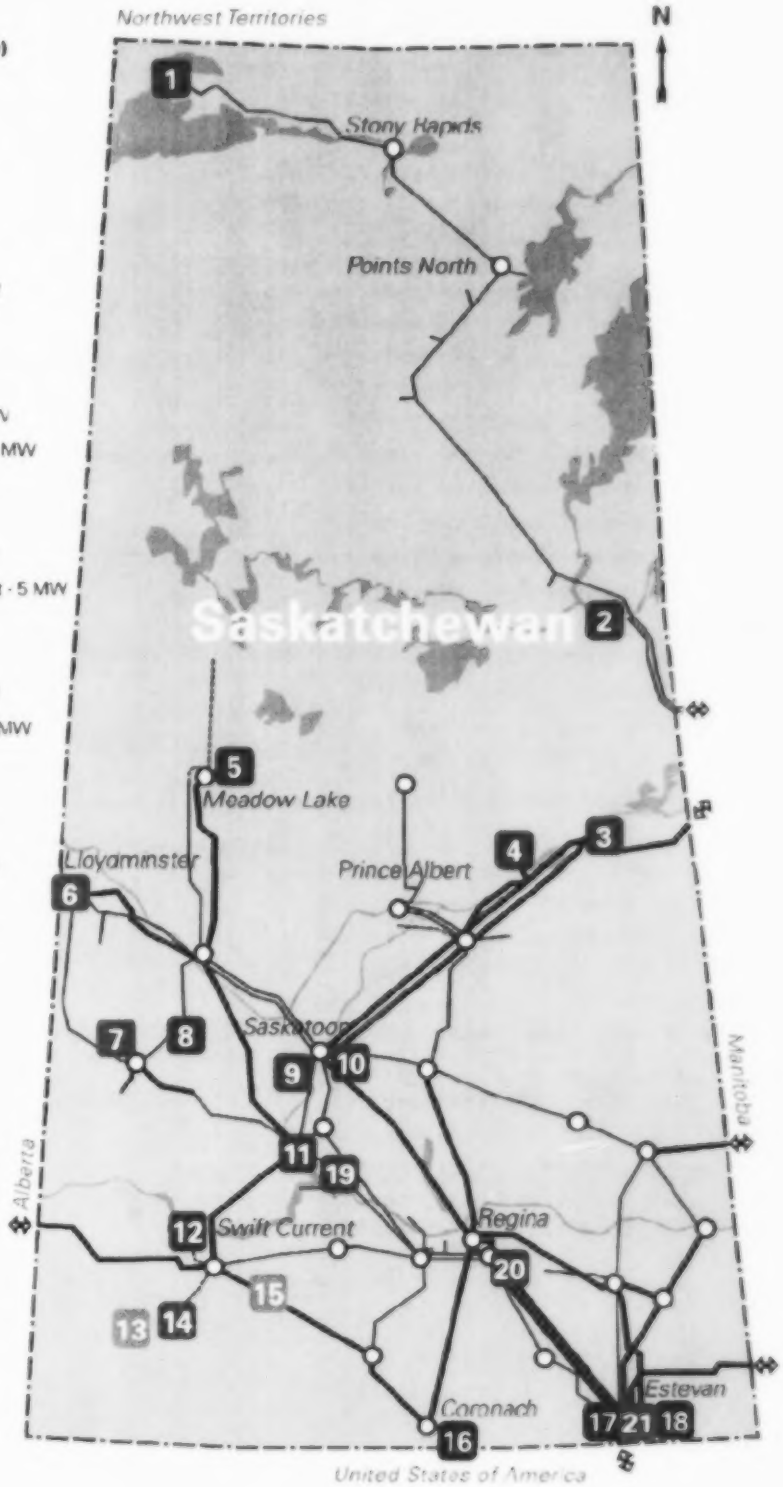
AVAILABLE GENERATION (net capacity)

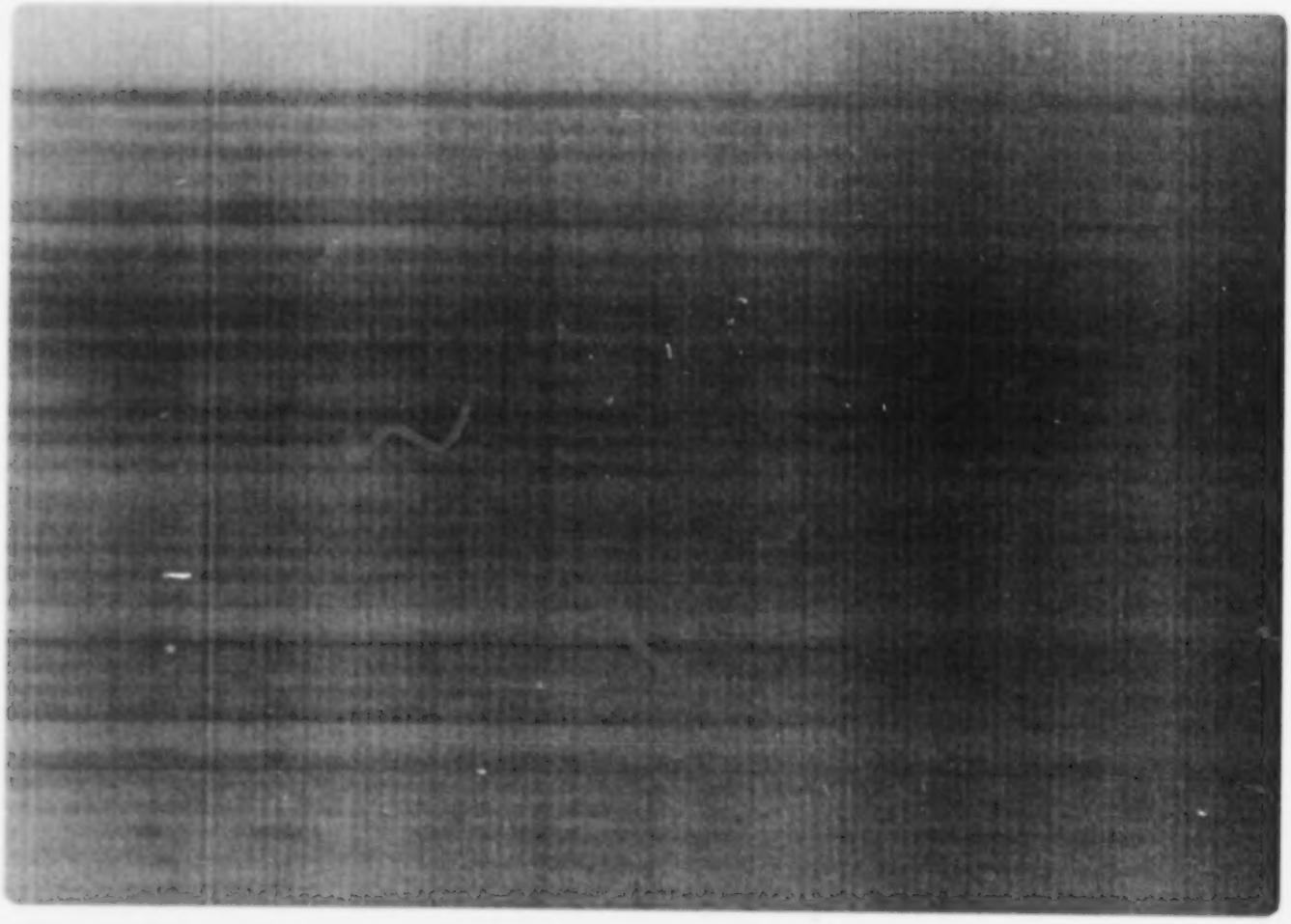
- Hydroelectric
- Natural gas
- Wind
- Coal
- Independent Power Producer

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 102 MW
3. E.B. Campbell Hydroelectric Station - 288 MW
4. Nipawin Hydroelectric Station - 255 MW
5. Meadow Lake Power Station - 44 MW
6. Meridian Cogeneration Station - 210 MW
7. NRGreen Kerrobert Heat Recovery Project - 5 MW
8. Landis Power Station - 79 MW
9. Cory Cogeneration Station - 228 MW
10. Queen Elizabeth Power Station - 322 MW
11. Coteau Creek Hydroelectric Station - 186 MW
12. Success Power Station - 30 MW
13. Cypress Wind Power Facility - 11 MW
14. SunBridge Wind Power Project - 11 MW
15. Centennial Wind Power Facility - 150 MW
16. Poplar River Power Station - 582 MW
17. Boundary Dam Power Station - 824 MW
18. Shand Power Station - 276 MW
19. NRGreen Loreburn Heat Recovery Project - 5 MW
20. NRGreen Estlin Heat Recovery Project - 5 MW
21. NRGreen Alameda Heat Recovery Project - 5 MW

TRANSMISSION

- 230 kV
- 138 kV
- 138 kV line operating at 72 kV
- Switching station
- Interconnection





SaskPower
Powering the future

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